



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WARREN COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS.....	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER.....	6
NOTES TO THE FINANCIAL STATEMENTS	7
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Michael O. Buchanon, County Judge/Executive
Honorable Yvonne Guy, Warren County Clerk
Members of the Warren Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Warren County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1998. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Michael O. Buchanon, County Judge/Executive
Honorable Yvonne Guy, Warren County Clerk
Members of the Warren County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated November 22, 1999, on our consideration of the County Clerk's compliance with laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 22, 1999

WARREN COUNTY
YVONNE GUY, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 1998

Receipts

State Fees For Services		\$	40,625
Fiscal Court			6,406
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,108,228	
Usage Tax		12,259,402	
Tangible Personal Property Tax		4,828,660	
Notary Fees		22,594	
Lien Release Fees		15,768	
Miscellaneous		114	
Licenses-			
Marriage		30,153	
Miscellaneous		185	
Deed Transfer Tax		306,842	
Delinquent Taxes		191,155	19,763,101
Fees Collected for Services:			
Recordings-			
Bail Bonds	\$	231	
Deeds, Easements, and Contracts		52,732	
Real Estate Mortgages		173,952	
Chattel Mortgages and Financing Statements		264,455	
Powers of Attorney		8,191	
All Other Recordings		108,469	
Charges for Other Services-			
Candidate Filing Fees		2,260	
Copywork		22,021	632,311
Other:			
Postage	\$	16,964	
Overpayments and Refunds		27,247	
Miscellaneous		2,277	46,488
Interest Earned			20,102
Gross Receipts (Carried Forward)		\$	20,509,033

WARREN COUNTY
YVONNE GUY, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS
Calendar Year 1998
(Continued)

Gross Receipts (Brought Forward) \$ 20,509,033

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,545,092

Usage Tax 11,857,733

Tangible Personal Property Tax 1,716,965

Licenses-

Delinquent Tax 41,809

Legal Process Tax 91,628

Candidate Filing Fees 1,080 \$ 15,254,307

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 568,557

Delinquent Tax 34,072

Deed Transfer Tax 291,499

Miscellaneous 114 894,242

Payments to Other Districts:

Tangible Personal Property Tax \$ 2,344,889

Delinquent Tax 61,981 2,406,870

Payments to Sheriff

9,101

Payments to County Attorney

31,878

Operating Disbursements:

Materials and Supplies-

Office Supplies \$ 44

Other Charges-

Refunds 69,437

Postage 209

WARREN COUNTY
 YVONNE GUY, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 1998
 (Continued)

Disbursements (Continued)

Other Charges- (Continued)			
Bank Services Charges	\$	43	
Miscellaneous		<u>1,613</u>	<u>\$ 71,346</u>
Total Disbursements			<u>\$ 18,667,744</u>
Net Receipts			\$ 1,841,289
Payments to State Treasurer:			
75% Operating Fund (Note 5)	\$	1,398,941	
25% County Fund		<u>442,348</u>	<u>1,841,289</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
YVONNE GUY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING
FUND AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 1998

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 1998	\$ 965,424	\$	\$ 965,424
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,398,941		1,398,941
Fees Paid to State - County Funds (25%)		442,348	442,348
Total Funds Available	\$ 2,364,365	\$ 442,348	\$ 2,806,713
<u>Disbursements</u>			
Warren County Government	\$ 1,028,679	\$ 442,348	\$ 1,471,027
Clerk's Statutory Maximum	48,707		48,707
Deputies Salaries	720,715		720,715
Health Insurance	70,452		70,452
Fringe Benefits	120,461		120,461
Computer Rental	74,291		74,291
Copier Rental	29,952		29,952
Dues	2,910		2,910
Insurance	4,260		4,260
Office Equipment	172,869		172,869
Office Supplies	22,435		22,435
Postage	24,575		24,575
Telephone	5,000		5,000
Travel Expense	2,271		2,271
Forms and Printing	8,428		8,428
Making Tax Bills	14,751		14,751
Books and Guides	1,825		1,825
Expense Allowance	3,600		3,600
Repair Labor	906		906
Recording Books and Paper	7,278		7,278
Total Disbursements	\$ 2,364,365	\$ 442,348	\$ 2,806,713
Fund Balance - December 31, 1998	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
YVONNE GUY, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WARREN COUNTY COUNTY
YVONNE GUY, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The County Clerk met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Microfilming Grant

The Clerk received a Local Records Grant from the Kentucky Department for Libraries and Archives on June 27, 1997 in the amount of \$66,801. The balance as of January 1, 1998 was \$67,727. During calendar year 1998, the Clerk earned \$3,602 in interest. There were no expenditures for 1998 and the balance at December 31, 1998 was \$71,329.

Note 5. Reimbursed Expenses

The amount deposited to the County Clerk's Operating Funds (75%) with the State Treasurer included reimbursed expenses. The reimbursed expenses of \$71,895 include payments from the state and county in addition to miscellaneous revenues.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Michael O. Buchanon, County Judge/Executive
Honorable Yvonne Guy, Warren County Clerk
Members of the Warren County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the Warren County Clerk as of December 31, 1998, and have issued our report thereon dated November 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Warren County Clerk's statement of receipts and disbursements, and statement of receipts, disbursements, and fund balances of the County Clerk's operating fund with the State Treasurer for the year ended December 31, 1998, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Michael O. Buchanan, County Judge/Executive
Honorable Yvonne Guy, Warren County Clerk
Members of the Warren County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information and use of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 22, 1999

